

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

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OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

AGR-05 DODE-00 H-02 INT-05 L-03 NSC-05 PA-01 SS-15

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: DIFFERENTIAL TREATMENT FOR LDC'S: OECD TRADE

COMMITTEE WORKING PARTY MEETING, SEPT. 7, 1976

1. SUMMARY: WORKING PARTY HAD CONSTRUCTIVE EXCHANGE OF VIEWS ON ISSUES CONCERNING DIFFERENTIAL TREATMENT FOR LDCS (S&D) IN CONTEXT OF NON-TARIFF MEASURES (NTMS) BEING NEGOTIATED IN THE MTN. ALTHOUGH EVERYONE AGREED ON NEED FOR CASE-BY-CASE APPROACH, SOME DELS EXPRESSED BELIEF THAT S&D SHOULD BE ACCORDED ON AN AUTONOMOUS RATHER THAN CONTRACTUAL BASIS. MOST DELS FAVORED PRINCIPLE OF GRADATIONS IN DIFFERENTIAL TREATMENT TO PARTICULAR LDC'S BUT ENVISAGED PRACTICAL AND LIKELY INSURMOUNTABLE DIFFICULTIES IN IMPLEMENTATION. OECD SECRETARIAT WILL EXPAND AND ELABORATE SECTIONS 1, 2, AND 3 OF TC/WP (76)14 IN PREPARATION FOR NEXT MEETING SCHEDULED FOR 24 NOVEMBER. HIGHLIGHTS OF TCWP'S PRELIMINARY AND INFORMAL DISCUSSION OF THIS PAPER ARE REPORTED

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BELOW. END SUMMARY

2. SYSTEMATIC OR CASE-BY-CASE APPROACH TO S&D: DELS AGREED THAT PRINCIPLE OF S&D IS SET FORTH IN PARA 5 OF TOKYO DECLARATION, AND THAT IMPLEMENTATION OF SUCH S&D WITH RESPECT TO SPECIFIC NTM'S CAN BEST BE TREATED ON CASE-BY-CASE BASIS. THUS THERE WAS NO REAL CONFLICT BETWEEN SYSTEMATIC AND CASE-BY-CASE APPROACH. ON QUESTION OF WHETHER S&D SHOULD BE CONTRACTUAL OR AUTONOMOUS, US, EC AND SWITZERLAND ENVISAGED IT BEING CONTRACTUAL, I.E. INCLUDED IN NEGOTIATED CODES. GERMANY, FRANCE AND JAPAN APPEARED TO FAVOR AUTONOMOUS GRANTING OF S&D, SUGGESTING IT WOULD BE POSSIBLE TO GIVE MORE MEANINGFUL S&D IN THIS MANNER AND TO "MAINTAIN CONTROL" OVER IT. EXAMPLE MOST OFTEN MENTIONED IN THIS CONNECTION WAS AUTONOMOUS NATURE OF GSP. EC REP (ABBOTT OF MTN DEL) POINTED OUT THAT AUTONOMOUS APPROACH MAY BE APPLICABLE TO SOME AREAS, E.G. QUANTITATIVE RESTRICTIONS WHERE AN INDIVIDUAL COUNTRY COULD ADOPT A MORE LIBERAL ATTITUDE WITH RESPECT TO LDC'S DURING PERIOD OF GENERAL MFN PHASE-OUT OF A QUOTA. EC ALSO SUGGESTED, AS EXAMPLE, THAT ADMINISTRATION OF SAFEGUARD MECHANISMS COULD BE USED TO GIVE LEAST DEVELOPED A DE FACTO EXEMPTION FROM SUCH ACTIONS. GERMANY AND US NOTED NEED FOR POSSIBILITY TO TAKE SAFEGUARD ACTION IN EMERGENCY SITUATIONS WHEN S&D WAS GRANTED, BUT EC REP CAUTIONED THAT POLITICAL IMPLICATIONS OF WITHDRAWING S&D FROM LDC'S SHOULD BE STUDIED CLOSELY.

3. POSSIBLE TYPES OF DIFFERENTIAL TREATMENT: MOST DELS AGREED THAT SECRETARIAT'S DISTINCTION BETWEEN "ACTIVE" OR "PASSIVE" FORMS OF S&D WAS OF LITTLE PRACTICAL VALUE, AND URGED THE SECRETARIAT TO PERFORM MORE ANALYSIS ON S&D WITH REGARD TO PARTICULAR NTM'S. IN THIS REGARD, A MATRIX SETTING FORTH VARIOUS NTM'S AGAINST VARIOUS FORMS OF S&D WAS CONSIDERED BY NUMBER OF DELS AS POSSIBLY PROVIDING A GOOD BASIS FOR MORE FOCUSED DISCUSSION, AND COULD POINT OUT AREAS WHERE S&D NOT POSSIBLE OR PRACTICAL. EC REP THOUGHT IT WOULD BE DESIRABLE TO DEVELOP CONSENSUS ON AREAS WHERE S&D WOULD NOT BE CONSIDERED, AND USED CUSTOMS LIMITED OFFICIAL USE

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VALUATION AS EXAMPLE. NO OTHER DEL EXPRESSED MUCH ENTHUSIASM FOR THIS IDEA, BUT ABBOTT INDICATED PRIVATELY EC MIGHT PROPOSE LIST OF SUCH AREAS AT NOVEMBER MEETING.

4. GRADING OF DIFFERENTIAL TREATMENT: ALTHOUGH MOST DELS WERE SYMPATHETIC TO CONCEPT OF GRADING, ALL FORESAW DIFFICULTIES IN IMPLEMENTING SUCH A SCHEME. EC AND MEMBER STATES INDICATED THEY THOUGHT ONLY PRACTICAL

DISTINCTION WAS BETWEEN LEAST DEVELOPED AND MORE DEVELOPED, USING ACCEPTED UN CRITERIA. CANADA EXPRESSED DOUBT THAT ANY ECONOMIC BENEFITS COULD BE DERIVED BY LEAST DEVELOPED COUNTRIES FROM GRADING, BUT LIKED THE IDEA OF GRADUATION FROM LDC TO DC STATUS. US IDEA OF SECTORAL APPROACH ELICITED LITTLE COMMENT OTHER THAN ACKNOWLEDGMENT THAT CERTAIN LDC INDUSTRIES MAY BE FULLY COMPETITIVE WITH DC INDUSTRIES. SECRETARIAT COULD PROVIDE NO EXAMPLES AS TO HOW LDCS COULD APPORTION

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EXTRA BENEFITS DERIVED FROM S&D AMONG THEMSELVES.

5. RECIPROCITY BY LDCS: DELS HAD DIVERGENT VIEWS ON WHETHER LDCS SHOULD MAKE CONTRIBUTIONS TO NEGOTIATIONS. JAPAN EXPRESSED PESSIMISM THAT LDCS WOULD OFFER CONTRIBUTIONS, AND NETHERLANDS SAID THAT DC

REQUESTS FOR CONTRIBUTIONS WOULD DETRACT FROM ALREADY MEAGER S&D THEY WERE OFFERING. US DEL STATED THAT RECIPROCITY IN FORM OF LDC'S ASSUMING OBLIGATIONS UNDER NTM CODES WOULD HELP LDCS PERCEIVE THEIR STAKE IN INTERNATIONAL TRADING SYSTEM. US ALSO REMARKED THAT LDC ATTITUDE TOWARD RECIPROCITY MAY NOT BE AS NEGATIVE AS SOME DCS MAY THINK. EC REP POINTED TO LOME CONVENTION AS ILLUSTRATING EC POSITION ON RECIPROCITY , NOTING THAT LEAST DEVELOPED WOULD NEVER ACCEPT OBLIGATIONS UNDER NEW AGREEMENTS WHILE MORE ADVANCED LDCS SHOULD ACCEPT OBLIGATIONS OVER LIMITED OFFICIAL USE

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TIME. UK , GERMANY, AND CANADA ENVISAGED WIDE RANGE OF POSSIBLE RECIPROCITY, BUT SUGGESTED RECIPROCITY QUESTION BE APPROACHED ON CASE-BY-CASE BASIS.

6. FUTURE WORK: BASED ON TCWP MEETING THE SECRETARIAT PLANS TO DO ADDITIONAL WORK ON SECTIONS 1, 2, AND 3 OF TC/WP(76)14 TO FACILITATE MORE DETAILED DISCUSSION AT NEXT MEETING NOVEMBER 24. IN SECTION 1 SECRETARIAT WILL ATTEMPT TO ELABORATE THE POSSIBLE IMPLICATIONS OF CONTRACTUAL VERSUS AUTONOMOUS TREATMENT OF S&D. SECTIONS 2 AND 4 WILL BE COMBINED IN A MATRIX FORM (BASED ON MATERIAL AND CATEGORIES CONTAINED IN TC(75)17) WITH COLUMNS REPRESENTING NTMS UNDER NEGOTIATION AND ROWS CONTAINING DIFFERENT TYPES OF S&D (INCLUDING RECIPROCITY). ON ISSUE 3 SECRETARIAT PAPER WILL FURTHER EXPLORE THE CONCEPTS OF "GRADING" AND GRADUATION.

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